

18 January 1956

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Copy 1 of 2

Page 1 of 1

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Dear George:

You may recall that during your last visit we indicated that our accounting operations would be modified effective 1 January 1956 to permit utilization of a divisional burden center system of accounting. Under this procedure divisional indirect labor will no longer be treated as allocable direct as it was during 1955, but will now be collected in the divisional overhead pool.

A general and administrative cost pool has been established, and it is anticipated that the G and A rate applicable to the first half of 1956 will be substantially higher than that for succeeding half-year periods because our company is still of medium size and growing rapidly, and because a fair number of administrative functions, which will ultimately be performed by the individual divisions, are still being performed by the central administrative organization.

It is difficult to estimate these new burden rates and general and administrative rate very accurately at this time because a number of new cost collection pools are involved and there is quite limited experience of multiple burden center cost collection on which to base such estimates. For billing purposes, a Communications Division overhead rate of 15 1/2% has been established and a general and administrative rate of 19%. These estimates have been submitted to the Air Force for approval, along with proposed billing rates for the other divisions of the Company. Modifications of these rates will be made as soon as sufficient experience has been accumulated on which to base better estimates.

We would appreciate receiving your approval to utilize these billing rates from an effective date of 1 January 1956, at your earliest convenience.

Sincerely

/s/
BURT

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